

**Submitted Testimony of
Congressman K. Michael Conaway
House Budget Committee
July 20, 2005**

Introduction

First, I would like to thank Chairman Nussle and my colleagues for arranging this hearing and inviting me to testify before the committee.

As my colleague Mr. Cuellar and the Honorable Clay Johnson will testify, Congress, the Office of Management and Budget and other agencies have worked to establish various forms of Performance Based Budgeting and oversight to improve performance and accountability within the Federal Government. Specifically, the implementation of the Government Performance and Results Act of 1993 (GPRA) and Program Assessment Rating Tool (PART) reflect efforts to advance this approach to the federal budgeting process. These programs represent a solid first step in the evolving implementation of performance budgeting.

Many States, specifically in my experience, Texas, have successfully implemented methods of Performance Based Budgeting and oversight, such as the Legislative Budget Board (LBB).

My goal in testifying before the committee today is to bring to the table a general discussion, from my perspective, on how facets of state budgeting and “business-like” budgeting processes may be implemented in our own Congressional budget process.

I have examined the budget process from a number of perspectives: as a private business owner, as an accountant and member of the Texas State Board of Public Accountancy, and as a member of Congress.

Background:

By way of background, Texas works on a biennial budget and the Texas Constitution contains provisions that limit total state appropriations. Appropriations that exceed revenue may not be made except by a four-fifths vote of each house. Basically, if an appropriation exceeds the budget, it will not be implemented without the legislature’s intervention. By taking this approach, the Texas Legislature has ensured that any piece of introduced legislation that will exceed budget limitations must be effective and important enough to garner votes.

The Legislative Budget Board (LBB) was created in 1949 and requires all state agencies to submit their budget requests to the LBB for review and recommendations. The board is comprised of two joint Chairmen, the Lieutenant Governor and the Speaker of the House of Representatives; the Chairmen of the House Committee on Appropriations, House Committee on Ways and Means, and the Senate Finance Committee. Appointed members also include two House members and three Senate members appointed by the Speaker and the Lieutenant Governor respectively.

Over the years, legislation has been enacted to expand the LBB’s duties to include evaluation of agency programs, to estimate the costs of implementing legislation and to establish a system of

state agency performance audits and evaluations. Results of these evaluations are then reported to the Texas Legislature. This report is also made available to the public through the Texas Budget Source.

Texas State Board of Public Accountancy:

My interaction with the State budgeting process began as a member of the Texas State Board of Public Accountancy (TSBPA), a state agency that regulates the practice of accountancy in Texas. In 1995, then-Governor George W. Bush appointed me to TSBPA. I served on TSPBA for seven years, including more than five years as Chairman. During my tenure, the Texas Legislature signed into law a bill to address the need for government to operate more efficiently. Under the Act, referred to as the “Self-Directed Semi-Independent Agency Project Act”, the TSBPA became a self-directed semi-independent agency (SDSI). TSBPA and two other similar agencies are the focus of this pilot program to test the concept of deregulating regulatory agencies in order to enhance their efficiency. The project is expected to expire September 1, 2009. Under this transition, the TSBPA budget was effectively taken out of appropriations process. TSBPA believes this shift allows them to take a “business-like” approach to budgeting. The SDSI structure is only appropriate for self funding agencies that receive no general revenue.

Some points of this project are:

- To make regulatory agencies accountable to their stakeholders. The agencies are also charged with operating as a business.
- The regulatory agency establishes fees charged to cover all of its operations.
- Sovereign immunity remains intact for enforcement and disciplinary functions.
- Regulatory agencies in the project are removed from state appropriations.
- Applicable agencies continue to collect and remit the \$200 annual professional fee for the General Revenue Fund.
- Agencies continue to be audited by the Office of the State Auditor and pay the associated costs
- Oversight agencies, such as the LBB and the Governor’s Office of budget and planning are relieved of oversight responsibilities and associated costs.
- Licensees become directly involved in evaluating the cost of operating the agency.
- Reduce the state budget.
- Reduce the number of state employees on the state payroll. (*Source: Texas State Board of Public Accountancy Strategic Plan, FY 2005-2009*)

The Texas State Board of Public Accountancy continues to implement its budgeting oversight measures. Most recently, under the “Self-Directed, Semi-Independent Agency Project Act”, the Board has begun to implement a review program whereby sponsor’s courses are systematically examined for their quality. The first computerized examination was offered in April of 2004 and will occur at regular intervals in the future. In its Public Accountancy Strategic Plan for Fiscal Years 2005-2009, TSBPA states that, “It is the opinion of the Board that with the implementation of Self-Directed, Semi-Independent Status, the Board now has the flexibility to respond to the changing needs of a global profession. This will allow the Board to function in a more business-like manner to meet the challenges of the twenty-first century.” (*Source: Texas State Board of Public Accountancy Strategic Plan, FY 2005-2009*)

The appropriations process, including the periodic reviews of each state agency, treats all agencies the same. That process is essential for all state agencies that accept any general revenues or tax funding. The appropriations process is cumbersome and inflexible for certain regulatory agencies. The SDSI pilot is intended to demonstrate a system of operations which allows the pilot programs to function in a more business-like way. By completing the missions as assigned to those agencies by the state legislature, the legislative and executive oversight functions are set at appropriate levels to determine that agencies are run efficiently and that assigned missions are accomplished. Burdensome and redundant oversight procedures are eliminated by placing more trust in the governing board that is appointed by the Governor.

Implications for the Congressional Budgeting Process:

A state form of oversight is not feasible to implement on a whole at the federal level; however, there are facets that we in Congress would benefit from examining.

These components may include:

- An objective, timely, collection of accurate data from agencies
- Accountability
- Transparency to the public
- A periodic review of the need of federal agencies

There are obviously inherent differences between the budgeting structures of states versus the budgeting structure of Congress. In a business, you have one “president”, one goal. In the House, we have 435 different actors, 435 different goals, and we all have different objectives for each State we represent. However, there is one goal that I would like to think all of my colleagues can agree upon: ensuring that federal agencies are held accountable to the taxpayers. In the current era of fiscal restraint, it would be beneficial for Congress to continue to pursue these avenues.

Once again, I would like to thank my colleagues for the opportunity to testify today. I would be happy to answer any further questions regarding my work on the Texas State Board of Public Accountancy or regarding my perspectives on performance budgeting in Congress.